

March 25, 2019

Ms. Tracy Robinson, Administrative Services Director
City of Lafayette
3675 Mount Diablo Boulevard, Suite 210
Lafayette, CA 94549

Dear Ms. Robinson:

Subject: 2019-20 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Lafayette Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period of July 1, 2019 through June 30, 2020 (ROPS 19-20) to the California Department of Finance (Finance) on January 30, 2019. Finance has completed its review of the ROPS 19-20.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item Nos. 12, 13, and 16 – City of Lafayette (City) General Fund Loans and a Parking Fund Loan (collectively, Loans). Outstanding obligations, totaling \$5,931,130, are not allowed. Pursuant to HSC section 34191.4 (b), loan agreements between the former redevelopment Agency (RDA) and sponsoring entity may be placed on the ROPS if the following requirements are met: (1) the Agency has received a Finding of Completion; and (2) the Agency's Oversight Board (OB) approves the loan as an enforceable obligation by finding the loan was for legitimate redevelopment purposes.

The Agency received a Finding of Completion on May 15, 2013. However, Finance denied OB Resolutions No. LOB 02-2017, LOB 02-2018, and OB 2019-36, approving the reinstatement and repayment of certain prior loans made to the former RDA by the City, finding the loans were for legitimate redevelopment purposes pursuant to HSC section 34191.4 (b), and making certain findings in connection therewith, in our determination letters dated March 17, 2017, April 4, 2018, and March 25, 2019.

While the OB made the finding the loans were for legitimate redevelopment purposes, the Agency was unable to provide documentation to support the transfer of money as required by HSC section 34191.4 (b) (2) (A). Therefore, these items are not enforceable obligations and the total requested amount of \$1,398,985 (\$648,091 + \$750,894) is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding. No funding was requested for Item No. 13 on ROPS 19-20.

- Item No. 18 – Administrative Costs in the amount of \$250,000. It is our understanding the Agency requested funding for this item from the wrong funding source. The Agency requested \$250,000 from RPTTF instead of Administrative RPTTF. With the Agency's consent, Finance made the necessary adjustments between RPTTF and Administrative RPTTF to correct the oversight.

Additionally, although the administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (3), Finance notes the OB has approved an amount that appears excessive, given the number and nature of the obligations listed on the ROPS. HSC section 34179 (i) requires the OB to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the OB to apply adequate oversight when evaluating the administrative resources necessary to successfully wind-down the Agency.

Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations. Reported differences in RPTTF are used to offset current RPTTF distributions. The County Auditor Controller's review of the prior period adjustment form submitted by the Agency resulted in no prior period adjustment.

Except for the items adjusted, Finance is not objecting to the remaining items listed on the ROPS 19-20. If the Agency disagrees with our determination with respect to any items on the ROPS 19-20, except items that are the subject of litigation disputing our previous or related determinations, the Agency may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available on our website:

http://dof.ca.gov/Programs/Redevelopment/Meet_And_Confer/

The Agency's maximum approved RPTTF distribution for the reporting period is \$2,894,561 as summarized in the Approved RPTTF Distribution table on Page 4 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1 through December 31 period (ROPS A period), and one distribution for the January 1 through June 30 period (ROPS B period) based on Finance approved amounts. Since this determination is for the entire ROPS 19-20 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

Absent a Meet and Confer, this is our final determination regarding the obligations listed on the ROPS 19-20. This determination only applies to items when funding was requested for the 12-month period. If a denial by Finance in a previous ROPS is currently the subject of litigation, the item will continue to be denied until the matter is resolved.

The ROPS 19-20 form submitted by the Agency and this determination letter will be posted on our website:

<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

This determination is effective for the ROPS 19-20 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment available prior to the enactment of redevelopment dissolution law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax increment is limited to the amount of funding available to the Agency in the RPTTF.

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Please direct inquiries to Nichelle Jackson, Supervisor, or Veronica Zalvidea, Lead Analyst, at (916) 322-2985.

Sincerely,



JENNIFER WHITAKER
Program Budget Manager

cc: Ms. Jennifer Wakeman, Financial Services Manager, City of Lafayette
Mr. Bob Campbell, Auditor-Controller, Contra Costa County

Attachment

Approved RPTTF Distribution For the period of July 1, 2019 through June 30, 2020			
	ROPS A Period	ROPS B Period	ROPS 19-20 Total
RPTTF Requested	\$ 1,726,158	\$ 2,567,388	\$ 4,293,546
Administrative RPTTF Requested	0	0	0
Total RPTTF Requested	1,726,158	2,567,388	4,293,546
RPTTF Requested	1,726,158	2,567,388	4,293,546
<u>Adjustments</u>			
Item No. 12	(648,091)	0	(648,091)
Item No. 16	(750,894)	0	(750,894)
Item No. 18	(250,000)	0	(250,000)
	(1,648,985)	0	(1,648,985)
RPTTF Authorized	77,173	2,567,388	2,644,561
Administrative RPTTF Requested	0	0	0
<u>Adjustment</u>			
Item No. 18	250,000	0	250,000
Administrative RPTTF Authorized	250,000	0	250,000
Total RPTTF Authorized for Obligations	327,173	2,567,388	2,894,561
Prior Period Adjustment	0	0	0
Total RPTTF Approved for Distribution	\$ 327,173	\$ 2,567,388	\$ 2,894,561